



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NICHOLAS COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
NICHOLAS COUNTY
DOUG FRYMAN, COUNTY CLERK
CALENDAR YEAR 1999
FEE AUDIT

On June 7, 2000, fieldwork was completed on the calendar year 1999 Nicholas County Clerk's fee audit. An unqualified opinion was rendered on the financial statement. No reportable conditions or issues of non-compliance relating to the audit of the financial statement were reported.

Deposits:

The County Clerk's deposits were fully collateralized and insured as of December 31, 1999, and throughout the year. The County Clerk had a written agreement with his depository institution.

Lease Agreements:

60 month agreement with Xerox for a copier. The agreement requires a monthly payment of \$107, and is to be completed in March 2003. The balance of the agreement as of December 31, 1999 was \$4,173.

48 month agreement with Software Management for software licensing and service. The agreement requires a monthly payment of \$175, and is to be completed on October 1, 2001. The balance of the agreement as of December 31, 1999 was \$3,675.

County Clerk's Expense Allowance:

Kentucky Revised Statute 64.017 limits the County Clerk's expense allowance to \$3,600 a year if fees of the office are available. Excess fees of \$2,915 were available to the County Clerk, however, a payment of \$2,000 was made to the fiscal court on February 29, 2000. The County Clerk may claim this amount as expense allowance for calendar year 1999 and request a refund from fiscal court.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Larry Tincher, Nicholas County Judge/Executive
Honorable Douglas Fryman, Nicholas County Clerk
Members of the Nicholas County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Nicholas County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Larry Tincher, Nicholas County Judge/Executive
Honorable Douglas Fryman, Nicholas County Clerk
Members of the Nicholas County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 7, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 7, 2000

NICHOLAS COUNTY
DOUGLAS FRYMAN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State:

Fees For Services	\$ 2,902	
Library and Archives Grant	<u>5,590</u>	\$ 8,492

Fiscal Court		1,800
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 132,320
Usage Tax	153,840
Tangible Personal Property Tax	410,065

Licenses-

Fish and Game	15,626	
Marriage	2,484	
Occupational	1,939	
Deed Transfer Tax	12,711	
Delinquent Tax	<u>49,353</u>	778,338

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 8,241	
Real Estate Mortgages	7,929	
Chattel Mortgages and Financing Statements	27,109	
All Other Recordings	<u>12,464</u>	55,743

Interest Earned		<u>834</u>
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Total Receipts		\$ 845,207
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 100,847
Usage Tax	146,040
Tangible Personal Property Tax	160,457

Licenses-

Fish and Game	15,160
Delinquent Tax	6,284
Legal Process Tax	<u>8,242</u>
	\$ 437,030

NICHOLAS COUNTY
DOUGLAS FRYMAN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

<u>Disbursements (Continued)</u>		
Payments to Fiscal Court:		
Tangible Personal Property Tax	\$ 40,749	
Delinquent Tax	6,507	
Deed Transfer Tax	12,213	
Occupational Licenses	<u>1,679</u>	\$ 61,148
Payments to Other Districts:		
Tangible Personal Property Tax	\$ 194,294	
Delinquent Tax	<u>22,281</u>	216,575
Payments to Sheriff		2,501
Payments to County Attorney		7,685
Operating Disbursements and Capital Outlay:		
Personnel Services-		
Deputies Salaries	\$ 50,509	
Materials and Supplies-		
Office Supplies	905	
Other Charges-		
Advertising	53	
Dues	300	
Postage	1,236	
Indexing	5,590	
Lease Payments -		
Office Equipment and Software (Note 5)	3,919	
Miscellaneous	<u>1,202</u>	<u>63,714</u>
Total Disbursements		\$ 788,653
Net Receipts		\$ 56,554
Less: Statutory Maximum		<u>53,639</u>
Excess Fees		\$ 2,915
Less: Expense Allowance (Note 6)		<u>2,915</u>
Excess Fees Due County for Calendar Year 1999		\$ 0
Payment to County Treasurer - February 29, 2000		<u>2,000</u>
Balance Due County Clerk at Completion of Audit		<u>\$ (2,000)</u>

The accompanying notes are an integral part of the financial statement.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives in the amount of \$11,200. Funds totaling \$5,590 were expended during calendar year 1999. The unexpended grant balance is \$5,610 as of December 31, 1999.

Note 5. Leases

- A. The office of the County Clerk is committed to a lease agreement with Xerox Corporation for a copier. The agreement requires a monthly payment of \$107 for 60 months to be completed on March 23, 2003. The total balance of the agreement is \$4,173 as of December 31, 1999.
- B. The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for software licensing and service. The agreement requires a monthly payment of \$175 for 48 months to be completed on October 1, 2001. The total balance of the agreement is \$3,675 as of December 31, 1999.

Note 6. County Clerk's Expense Allowance

Kentucky Revised Statute 64.017 limits the County Clerk's expense allowance to \$3,600 a year if fees of the office are available. Excess fees of \$2,915 were available to the County Clerk, however, a payment of \$2,000 was made to the fiscal court on February 29, 2000. The County Clerk is allowed to claim this amount as an expense allowance for calendar year 1999 and request a refund from fiscal court.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Tinchler, Nicholas County Judge/Executive
Honorable Douglas Fryman, Nicholas County Clerk
Members of the Nicholas County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nicholas County Clerk as of December 31, 1999, and have issued our report thereon dated June 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nicholas County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nicholas County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Larry Tinch, Nicholas County Judge/Executive
Honorable Douglas Fryman, Nicholas County Clerk
Members of the Nicholas County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 7, 2000

